

**FARRAGUT
COMMUNITY SCHOOL DISTRICT**

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS

JUNE 30, 2009

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FARRAGUT COMMUNITY SCHOOL DISTRICT

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
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Board of Education

(Before September 2008 Election)

Jeff McQueen	President	2010 *
(Resigned September 2008)		
Robert Lynn	Vice President	2009
Rob Lightfoot		2009
Kelly Carey		2008
Stacie Scroggie		2008
Diane Dee Owen		2008
Monica Whitehead		2010 *

(After September 2008 Election)

Robert Lynn	President	2009
Stacie Scroggie	Vice President	2011
Rob Lightfoot		2009
Kelly Carey		2009
Jenny Varellas		2011
(Appointed October 2008)		
Diane Dee Owen		2011
Monica Whitehead		2011

School Officials

Jay Lutt	Superintendent
Pam Nebel	District Secretary
Harriette Latimer	District Treasurer

* Board term extended per the District's transition plan for changing Board terms from 3 to 4 years in accordance with Chapter 39.24 of the Code of Iowa.

BRUCE D. FRINK

Certified Public Accountant

Independent Auditor's Report

Member:

- American Institute of Certified Public Accountants
- Iowa Society of Certified Public Accountants

Services:

- Individual, Partnership and Corporate Tax Preparation
- Year Round Tax Planning
- Electronic Filing
- Payroll & Sales Tax Preparation
- I.R.S. Representation
- Monthly/Quarterly Write-Up
- Data Processing Services
- Payroll Preparation
- Computerized Financial Statements
- Business/Personal Financial Planning
- Bank Loan Assistance

Plus:

- Over 30 years of Expertise and Experience
- Evenings & Saturdays Available by Appointment
- Extended Hours During Tax Season

To the Board of Education of
Farragut Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities and each major fund of Farragut Community School District, Farragut, Iowa, as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

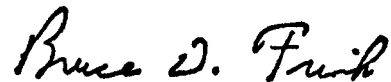
We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities and each major fund of Farragut Community School District at June 30, 2009, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated April 26, 2010 on our consideration of Farragut Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and Budgetary Comparison Information on pages 4 through 11 and 33 through 34 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Farragut Community School District's basic financial statements. We previously audited in accordance with the standards referred to in the second paragraph of this report, the financial statements for the five years ended June 30, 2008 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 3, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink that reads "Bruce D. Frink". The signature is written in a cursive, flowing style.

BRUCE D. FRINK
Certified Public Accountant

April 26, 2010

FARRAGUT COMMUNITY SCHOOL DISTRICT

Management's Discussion and Analysis

Farragut Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2009. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2009 FINANCIAL HIGHLIGHTS

- General Fund revenues decreased from \$2,833,205 in fiscal year 2008 to \$2,787,302 in fiscal year 2009 (2% decrease), while General Fund expenditures decreased from \$2,844,783 in fiscal year 2008 to \$2,760,107 in fiscal year 2009 (3% decrease).
- The District has a 6% solvency ratio, a strong indicator of a District's financial position. 5% - 10% is a commonly recommended range.
- BEDS enrollment (actually attending the District) decreased by 10.9 students. Open enrollment out exceeds open enrollment in by 27 students.
- The District will begin sharing administrators with Hamburg in an attempt to generate additional funding while reducing costs.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Farragut Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Farragut Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Farragut Community School District acts solely as an agent or custodian for the benefit of those outside of the District.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the Student Activity and Trust Funds.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

Figure A-1
Farragut Community School District Annual Financial Report

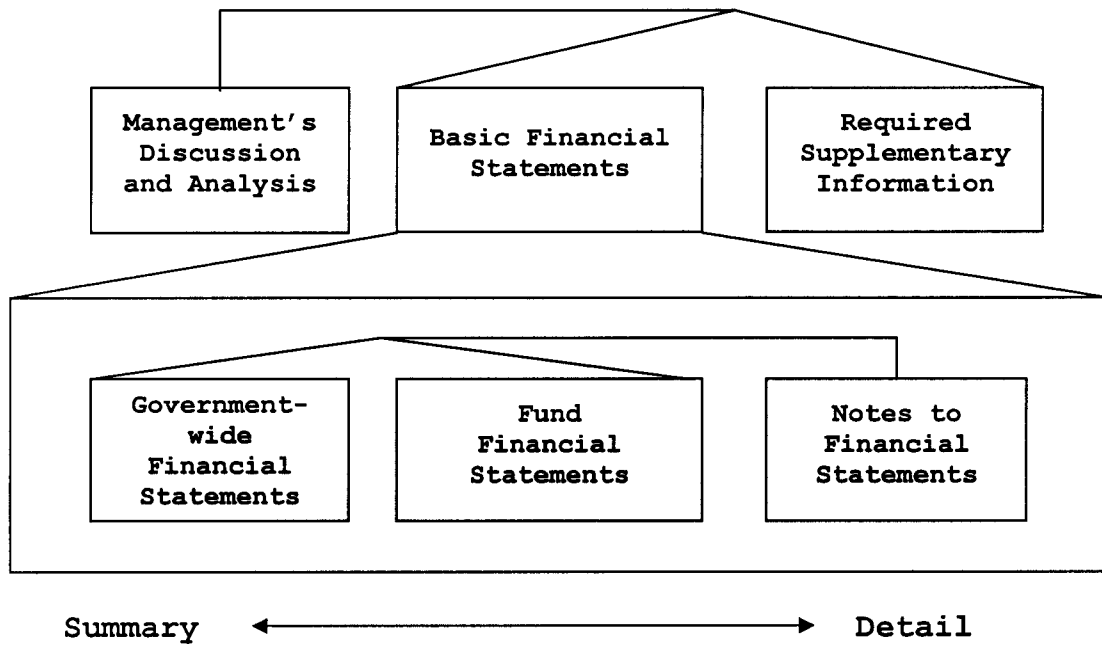


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2 Major Features of the Government-wide and Fund Financial Statements				
	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Fund	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: food services and internal service	Instances in which the district administers resources on behalf of someone else, such as scholarship programs
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net assets • Statement of revenues, expenses and changes in fund net assets • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets - the difference between the District's assets and liabilities - are one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds - not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs. The District has elected to treat all funds as "major" funds for clarity of presentation.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show that it is properly using certain revenues, such as federal grants.

The District has three kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, the Debt Service Fund and the Capital Projects Fund.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Funds, one type of proprietary fund, are the same as its business type activities but provide more detail and additional information, such as cash flows. The District currently has one Enterprise Fund, the School Nutrition Fund. The District also has an Internal Service Fund to administer the flex spending accounts.

The required financial statements for proprietary funds include a statement of net assets, a statement of revenues, expenses and changes in net assets and a statement of cash flows.

3) *Fiduciary funds*: The District is the trustee, or fiduciary, for assets that belong to others. These funds include Private-Purpose Trust Funds.

- Private-Purpose Trust Fund - The District accounts for outside donations for scholarships for individual students in this fund.

The District is responsible for ensuring the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds include a statement of fiduciary net assets and a statement of changes in fiduciary net assets.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets for the year ended June 30, 2009 compared to June 30, 2008.

<p align="center">Figure A-3 Condensed Statement of Net Assets (Expressed in Thousands)</p>							
	Governmental Activities		Business type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2009	2008	2009	2008	2009	2008	2008-2009
Current assets	\$ 2,882	2,611	8	3	2,890	2,614	10.56%
Capital assets	885	916	1	1	886	917	-3.38%
Total assets	<u>3,767</u>	<u>3,527</u>	<u>9</u>	<u>4</u>	<u>3,776</u>	<u>3,531</u>	<u>6.94%</u>
Current liabilities	2,057	1,934	6	-	2,063	1,934	6.67%
Non-current liabilities	-	-	-	-	-	-	0.00%
Total liabilities	<u>2,057</u>	<u>1,934</u>	<u>6</u>	<u>-</u>	<u>2,063</u>	<u>1,934</u>	<u>6.67%</u>
Net Assets							
Invested in capital assets, net of related debt	885	916	1	3	886	919	-3.59%
Restricted	421	314	-	-	421	314	34.08%
Unrestricted	404	363	2	1	406	364	11.54%
Total net assets	<u>\$ 1,710</u>	<u>1,593</u>	<u>3</u>	<u>4</u>	<u>1,713</u>	<u>1,597</u>	<u>7.26%</u>

Total net assets increased by over 7% primarily due to an increases in the Capital Projects Fund.

Changes in net assets - figure A-4 shows the changes in net assets for the year ended June 30, 2009 compared to the year ended June 30, 2008.

Figure A-4							
Changes in Net Assets							
(Expressed in Thousands)							
Governmental Activities		Business type Activities		Total School District		Total Change	
2009	2008	2009	2008	2009	2008	2008-2009	
Revenues:							
Program revenues:							
Charges for service and sales	\$ 243	240	61	58	304	298	2.01%
Operating grants, contributions and restricted interest	514	544	48	53	562	597	-5.86%
General revenues:							
Property tax	1,186	972	-	-	1,186	972	22.02%
Income surtax	156	140	-	-	156	140	11.43%
Statewide sales and services tax	152	180	-	-	152	180	-15.56%
Unrestricted state grants	841	1,081	-	-	841	1,081	-22.20%
Unrestricted investment earnings	19	15	-	-	19	15	26.67%
Other	26	13	-	-	26	13	100.00%
Total revenues	<u>3,137</u>	<u>3,185</u>	<u>109</u>	<u>111</u>	<u>3,246</u>	<u>3,296</u>	<u>-1.52%</u>
Program expenses:							
Governmental activities:							
Instruction	1,870	1,979	-	-	1,870	1,979	-5.51%
Support Services	968	960	-	-	968	960	0.83%
Non-instructional programs	-	-	110	117	110	117	-5.98%
Other expenses	181	271	-	-	181	271	-33.21%
Total expenses	<u>3,019</u>	<u>3,210</u>	<u>110</u>	<u>117</u>	<u>3,129</u>	<u>3,327</u>	<u>-5.95%</u>
Change in net assets	\$ 118	(25)	(1)	(6)	117	(31)	377.42%

Property tax and unrestricted state grants account for 62% of the total revenue. The District's expenses primarily related to instruction and support services, which account for 91% of the total expenses.

Governmental Activities

Revenues for governmental activities were \$3,136,580 and expenses were \$3,018,633 for the year ended June 30, 2009.

The following table presents the total and net cost of the District's major governmental activities; instruction, support services and other expenses, for the year ended June 30, 2009 compared to the year ended June 30, 2008.

Figure A-5						
Total and Net Cost of Governmental Activities						
(Expressed in Thousands)						
Total Cost of Services			Net Cost of Services			
		Change			Change	
2009	2008	2008-2009	2009	2008	2008-2009	
Instruction	\$ 1,870	1,979	-5.51%	1,225	1,310	-6.49%
Support services	968	960	0.83%	952	945	0.74%
Other expenses	181	271	-33.21%	85	171	-50.29%
Totals	\$ 3,019	3,210	-5.95%	2,262	2,426	-6.76%

For the year ended June 30, 2009:

- The cost financed by users of the District's programs was \$243,199.
- Federal and state governments subsidized certain programs with grants and contributions totaling 297,963.
- The net cost of governmental activities was financed with \$1,185,627 in property tax and \$841,161 in state foundation aid.

PROPRIETARY-TYPE FUNDS

Revenues for the District's School Nutrition Fund were \$109,383 and expenses were \$110,356. The revenues include charges for services, contributions, and federal and state reimbursements.

The Nutrition Fund balance decreased by almost \$1,000 due to rising costs and decreased participation.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The Farragut Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the fiscal year, its governmental funds reported combined fund balances of \$704,855, which is 24% greater than last year's ending fund balance of \$566,710.

Governmental Fund Highlights

- The District continues to maintain an adequate solvency ratio.
- The District's enrollment decrease coupled with less than adequate allowable growth and mid year cuts continues to have an effect on the General Fund.
- The District continues to use PPEL and Capital Projects funds to maintain the District's facilities as well as purchase various items of equipment.

Proprietary Fund Highlights

School Nutrition Fund net assets decreased from \$3,492 at June 30, 2008 to \$2,519 at June 30, 2009.

BUDGETARY HIGHLIGHTS

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The budget may be amended during the year utilizing similar statutorily prescribed procedures.

It is the District's practice, as is in most Iowa school district, to budget expenditures at or about the maximum authorized spending. As a result, the District's certified budget should always exceed the actual expenditures for the year. The budget was not exceeded in any of the four functions.

CAPITAL ASSETS

The District has invested more than \$885,000, net of accumulated depreciation, by the end of fiscal year 2009 in a broad range of capital assets, including school buildings, athletic facilities, kitchen, computers and audio-visual equipment, maintenance equipment, school buses and other vehicles, library holdings, and textbooks. Total depreciation expenses for the year exceeded \$101,000.

Long-Term Debt

The District has no long-term debt.

FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

- Declining enrollment and inadequate increases in allowable growth will have the most significance on the Districts future.
- To offset the impact of declining enrollment, the State has provided a budget guarantee provision for districts. This budget guarantee provision is being phased out over a 10- year period. The District was on budget guarantee for fiscal year 2009 and will continue to be. Due to previous and continued declining enrollment, the amount of this reduction due to the phase out of the budget guarantee will likely grow over the next several years.
- Maintaining a strong solvency ratio will help offset the effects of declining revenues.
- The District will continue to be required to comply with unfunded and under funded mandates from the federal and state governments such as the federal No Child Left Behind Act and the state Student Achievement and Teacher Quality Initiative. This will require the District to find ways to provide services in the areas of assessment and professional development, which will divert funds from other student service areas.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Jay Lutt, Superintendent, Farragut Community School District, 907 Hartford Ave., Farragut, Iowa 51639.

Basic Financial Statements

FARRAGUT COMMUNITY SCHOOL DISTRICT

Statement of Net Assets

June 30, 2009

	Governmental Activities	Business Type Activities	Total
Assets			
Cash	\$ 596,267	3,766	600,033
ISCAP investments	817,933	-	817,933
Receivables:			
Property tax:			
Current year	19,819	-	19,819
Succeeding year	1,193,988	-	1,193,988
Income surtax - succeeding year	119,010	-	119,010
Due from other governments	27,096	-	27,096
Other receivables	105,728	-	105,728
ISCAP accrued interest receivable	2,563	-	2,563
Inventories	-	4,262	4,262
Capital assets, net of accumulated depreciation	884,688	883	885,571
Total assets	3,767,092	8,911	3,776,003
Liabilities			
Accrued salary and benefits	2,711	6,392	9,103
ISCAP unamortized premium	21,342	-	21,342
ISCAP warrants payable	806,000	-	806,000
ISCAP accrued interest payable	138	-	138
Deferred revenue:			
Succeeding year property tax	1,193,988	-	1,193,988
Federal programs	32,560	-	32,560
Total liabilities	2,056,739	6,392	2,063,131
Net assets			
Invested in capital assets, net of related debt	884,688	883	885,571
Restricted for:			
Capital projects	266,405	-	266,405
Management Fund	82,988	-	82,988
Physical Plant and Equipment Levy	70,386	-	70,386
Health benefits	1,800	-	1,800
Unrestricted	404,086	1,636	405,722
Total net assets	\$ 1,710,353	2,519	1,712,872

See notes to financial statements.

FARRAGUT COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2009

	Program Revenues		Net (Expense) Revenue and Changes in Nets Assets		
	Charges for Service	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
Functions/Programs:					
Governmental activities:					
Instruction:	\$ 1,870,143	236,566	408,676	(1,224,901)	(1,224,901)
Support services:					
Student services	50,376	-	-	(50,376)	(50,376)
Instructional staff services	84,670	-	-	(84,670)	(84,670)
Administration services	460,691	-	-	(460,691)	(460,691)
Operation and maintenance of plant services	221,408	-	8,624	(212,784)	(212,784)
Transportation services	150,322	6,633	-	(143,689)	(143,689)
	967,467	6,633	8,624	(952,210)	(952,210)
Other expenditures:					
AEA flowthrough	94,294	-	94,294	-	-
Facilities acquisition and construction	2,380	-	1,927	(453)	(453)
Depreciation (unallocated)*	84,349	-	-	(84,349)	(84,349)
	181,023	-	96,221	(84,802)	(84,802)
Total governmental activities	3,018,633	243,199	513,521	(2,261,913)	(2,261,913)

FARRAGUT COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2009

	Program Revenues		Net (Expense) Revenue and Changes in Nets Assets	
	Charges for Service	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities
Expenses				Total
Business type activities:				
Non-instructional programs:				
Nutrition services	110,356	61,323	48,060	(973)
Total	\$ 3,128,989	304,522	561,581	(2,262,886)
General Revenues:				
Property tax levied for:				
General purposes			\$ 1,119,963	-
Management levy			39,963	-
Capital outlay			25,701	-
Income surtax			155,813	-
Statewide sales and services tax			152,461	-
Unrestricted state grants			841,161	-
Unrestricted investment earnings			18,824	-
Other			25,974	-
Total general revenues			2,379,860	2,379,860
Change in net assets			117,947	(973)
Net assets beginning of year			1,592,406	3,492
Net assets end of year			\$ 1,710,353	2,519

* This amount excludes the depreciation that is included in the direct expenses of the various programs.

See notes to financial statements.

FARRAGUT COMMUNITY SCHOOL DISTRICT

Balance Sheet
Governmental Funds

June 30, 2009

	General	Student Activity	Management Levy	Physical Plant and Equipment Levy	Capital Projects	Total
Assets						
Cash	\$ 83,600	112,642	82,311	69,950	245,964	594,467
ISCAP investments	817,933	-	-	-	-	817,933
Receivables:						
Property tax:						
Current year	18,706	-	677	436	-	19,819
Succeeding year	1,107,222	-	60,000	26,766	-	1,193,988
Income surtax - succeeding year	119,010	-	-	-	-	119,010
Due from other governments	6,655	-	-	-	20,441	27,096
Other receivables	105,728	-	-	-	-	105,728
ISCAP accrued interest receivable	2,563	-	-	-	-	2,563
Total assets	<u>\$ 2,261,417</u>	<u>112,642</u>	<u>142,988</u>	<u>97,152</u>	<u>266,405</u>	<u>2,880,604</u>

FARRAGUT COMMUNITY SCHOOL DISTRICT

Balance Sheet
Governmental Funds

June 30, 2009

Liabilities and Fund Balance

Liabilities:

Accrued salary and benefits payable
ISCAP unamortized premium
ISCAP warrants payable
ISCAP accrued interest payable
Deferred revenue:
Succeeding year property tax
Succeeding year income surtax
Federal programs
Total liabilities

\$ 2,711	-	-	-	-	2,711
21,342	-	-	-	-	21,342
806,000	-	-	-	-	806,000
138	-	-	-	-	138
1,107,222	-	60,000	26,766	-	1,193,988
119,010	-	-	-	-	119,010
32,560	-	-	-	-	32,560
<u>2,088,983</u>	<u>-</u>	<u>60,000</u>	<u>26,766</u>	<u>-</u>	<u>2,175,749</u>

Fund balances:

Reserved for capital projects
Unreserved
Total fund balance

-	-	-	-	266,405	266,405
172,434	112,642	82,988	70,386	-	438,450
<u>172,434</u>	<u>112,642</u>	<u>82,988</u>	<u>70,386</u>	<u>266,405</u>	<u>704,855</u>

Total liabilities and fund balances

<u>\$ 2,261,417</u>	<u>112,642</u>	<u>142,988</u>	<u>97,152</u>	<u>266,405</u>	<u>2,880,604</u>
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FARRAGUT COMMUNITY SCHOOL DISTRICT

Reconciliation of the Balance Sheet - Governmental Funds
to the Statement of Net Assets

June 30, 2009

Total fund balances of governmental funds (Exhibit C)	\$ 704,855
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**Amounts reported for governmental activities in the Statement of Net Assets
are different because:**

Income surtax receivable at June 30, 2009 is not recognized as income until received in the governmental funds, however it is shown as a receivable in the Statement of Net Assets.	119,010
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Internal Service fund assets that are to be included with governmental funds.	1,800
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Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	<u>884,688</u>
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Net assets of governmental activities (Exhibit A)	<u><u>\$ 1,710,353</u></u>
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FARRAGUT COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Fund Types

Year ended June 30, 2009

	General	Student Activity	Managemet Levy	Physical Plant and Equipment Levy	Capital Projects	Total
	\$	\$	\$	\$	\$	\$
Revenues:						
Local sources						
Local tax	\$ 1,264,887	-	39,963	25,701	152,461	1,483,012
Tuition	236,566	-	-	-	-	236,566
Other	52,431	109,713	7,959	665	1,927	172,695
State sources	1,171,283	-	-	-	-	1,171,283
Federal sources	62,135	-	-	-	-	62,135
Total revenues	<u>2,787,302</u>	<u>109,713</u>	<u>47,922</u>	<u>26,366</u>	<u>154,388</u>	<u>3,125,691</u>
Expenditures:						
Current:						
Instruction	<u>1,770,148</u>	<u>106,486</u>	<u>22,481</u>	<u>-</u>	<u>-</u>	<u>1,899,115</u>
Support services:						
Student services	50,376	-	-	-	-	50,376
Instructional staff services	83,512	-	-	-	1,158	84,670
Administration services	431,137	-	29,554	-	-	460,691
Operation and maintenance of plant services	206,189	-	15,219	-	-	221,408
Transportation services	<u>124,451</u>	<u>-</u>	<u>9,083</u>	<u>-</u>	<u>-</u>	<u>133,534</u>
	<u>895,665</u>	<u>-</u>	<u>53,856</u>	<u>-</u>	<u>1,158</u>	<u>950,679</u>

FARRAGUT COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Fund Types

Year ended June 30, 2009

	General	Student Activity	Management Levy	Physical Plant and Equipment Levy	Capital Projects	Total
	\$	\$	\$	\$	\$	\$
Other expenditures:						
AEA flowthrough	94,294	-	-	-	-	94,294
Long-term debt:						
Principal	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Services	-	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-	-
	<u>94,294</u>	<u>-</u>	<u>-</u>	<u>2,380</u>	<u>41,078</u>	<u>43,458</u>
				<u>2,380</u>	<u>41,078</u>	<u>137,752</u>
Total expenditures	<u>2,760,107</u>	<u>106,486</u>	<u>76,337</u>	<u>2,380</u>	<u>42,236</u>	<u>2,987,546</u>
Net change in fund balances	27,195	3,227	(28,415)	23,986	112,152	138,145
Fund balances beginning of year	<u>145,239</u>	<u>109,415</u>	<u>111,403</u>	<u>46,400</u>	<u>154,253</u>	<u>566,710</u>
Fund balances end of year	<u>\$ 172,434</u>	<u>112,642</u>	<u>82,988</u>	<u>70,386</u>	<u>266,405</u>	<u>704,855</u>

See notes to financial statements.

FARRAGUT COMMUNITY SCHOOL DISTRICT

Reconciliation of the Statement of Revenues, Expenditures and
 Changes in Fund Balances - Governmental Funds
 to the Statement of Activities

Year ended June 30, 2009

Net change in fund balances - total governmental funds (Exhibit E) \$ 138,145

**Amounts reported for governmental activities in the Statement of Activities
 are different because:**

Income surtaxes not collected for several months after the District's
 fiscal year ends are not considered "available" revenues in the
 governmental funds and are included as deferred revenues. They are,
 however, recorded as revenues in the statement of activities
 This represents the change from FY08 to FY09

10,889

Capital outlays to purchase or build capital assets are reported in
 governmental funds as expenditures. However, those costs are
 reported in the Statement of Net Assets and are allocated over their
 estimated useful lives as depreciation expense in the Statement of
 Activities. The amounts of capital outlays and depreciation expense
 in the year are as follows:

Capital outlays
 Depreciation expense

69,673
 (101,137)

Internal Service Fund transactions are not reported in the General Fund
 as revenues and expenditures, however the General Fund is the source of
 these revenues and use of the expenditures.

377

Change in net assets of governmental activities (Exhibit B)

\$ 117,947

FARRAGUT COMMUNITY SCHOOL DISTRICT

Statement of Net Assets
Proprietary Funds

Year ended June 30, 2009

	Business Type	Governmental Activities
	School Nutrition	Internal Service
Assets		
Cash and pooled investments	\$ 3,766	1,800
Inventories	4,262	-
Capital assets, net of accumulated depreciation	883	-
Total assets	8,911	1,800
Liabilities		
Accrued payroll and benefits	6,392	-
Net Assets		
Invested in capital assets, net of related debt	883	-
Restricted for health benefits	-	1,800
Unrestricted	1,636	-
Total net assets	\$ 2,519	1,800

See notes to financial statements.

FARRAGUT COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds

Year ended June 30, 2009

	Business Type	Governmental Activities
	School Nutrition	Internal Service
Operating revenue:		
Local sources:		
Charges for services	\$ 61,323	10,427
Operating expenses:		
Non-instructional programs:		
Food service operations:		
Salaries	60,497	-
Benefits	8,402	-
Supplies	40,896	-
Depreciation	561	-
	110,356	-
Internal service programs:		
Benefits	-	10,050
Total operating expenses	110,356	10,050
Operating profit (loss)	(49,033)	377
Non-operating revenues:		
Interest on investments	30	-
State sources	1,351	-
Federal sources	46,679	-
	48,060	-
Net change in assets	(973)	377
Net assets beginning of year	3,492	1,423
Net assets end of year	\$ 2,519	1,800

See notes to financial statements.

FARRAGUT COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows
Proprietary Funds

Year ended June 30, 2009

	Business Type School Nutrition \$	Internal Service Health Insurance \$
Cash flows from operating activities:		
Cash received from sale of services	\$ 61,323	11,210
Cash payments to employees for services	(62,507)	(10,050)
Cash payments to suppliers for goods or services	(36,871)	-
Net cash provided by (used in) operating activities	(38,055)	1,160
Cash flows from non-capital financing activities:		
State grants received	1,351	-
Federal grants received	39,507	-
Net cash provided by non-capital financing activities	40,858	-
Cash flows from investing activities:		
Interest on investments	30	-
Net increase (decrease) in cash and cash equivalents	2,833	1,160
Cash and cash equivalents beginning of year	933	640
Cash and cash equivalents end of year	\$ 3,766	1,800
Reconciliation of operating income (loss) to net cash used in operating activities:		
Operating profit (loss)	\$ (49,033)	377
Adjustments to reconcile operating profit (loss) to net cash provided by (used in) operating activities:		
Depreciation	561	-
Commodities used	7,172	-
Decrease in other receivables	-	783
Decrease in inventory	(3,147)	-
Increase in accrued payroll and benefits	6,392	-
	\$ (38,055)	1,160

Non-cash investing, capital and financing activities:

During the year ended June 30, 2009, the District received federal commodities valued at \$7,172.

See notes to financial statements.

FARRAGUT COMMUNITY SCHOOL DISTRICT

Statement of Fiduciary Net Assets
Fiduciary Funds

June 30, 2009

	Private Purpose Trusts <u>Scholarships</u>
Assets	
Cash	\$ 32,543
Total assets	<u>32,543</u>
Net Assets	
Reserved for scholarships	<u>32,543</u>
Total net assets	<u>\$ 32,543</u>

See notes to financial statements.

FARRAGUT COMMUNITY SCHOOL DISTRICT

Statement of Changes in Fiduciary Net Assets
Fiduciary Funds

Year ended June 30, 2009

	Private Purpose Trusts <u>Scholarships</u>
Additions:	
Local sources:	
Miscellaneous	\$ 1,065
Total additions	<u>1,065</u>
Deductions:	
Support services:	
Scholarships	<u>925</u>
Total deductions	<u>925</u>
Change in net assets	140
Net assets beginning of year	<u>32,403</u>
Net assets end of year	<u>\$ 32,543</u>

See notes to financial statements.

FARRAGUT COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2009

(1) Summary of Significant Accounting Policies

Farragut Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. Additionally, the District either operates or sponsors summer recreational activities. The geographic area served includes the City of Farragut, Iowa, and agricultural area in Fremont County. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Farragut Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. Farragut Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Fremont County Assessor Conference Board.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt that are attributable to the acquisition, construction or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets not meeting the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. The District has elected to treat all funds as major funds for clarity of presentation.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

The Student Activity Fund is used to account for extra curricular activities conducted on behalf of the students.

The Management Levy Fund is utilized for the payment of insurance, unemployment and early retirement benefits.

The Physical Plant and Equipment Levy Fund is utilized to account for the maintenance and equipping of the District's facilities.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

The District reports the following major proprietary funds:

The District's proprietary funds are the Enterprise, School Nutrition and Internal Service Funds. These funds are used to account for the food service operations and flex spending program of the District.

The District also reports fiduciary funds which focus on net assets and changes in net assets. The District's fiduciary funds include the following:

The Private Purpose Trust Funds are used to account for assets held by the District under trust agreements which require income earned to be used for scholarship payments.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs and then general revenues.

The proprietary fund of the District applies all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for Enterprise Funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Balance

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable - Property tax in governmental funds are accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year become effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2007 assessed property valuations; is for the tax accrual period July 1, 2008 through June 30, 2009 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2008.

Due From Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, furniture and equipment, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
Land	\$ 1,000
Buildings	10,000
Improvements other than buildings	10,000
Furniture and equipment:	
School Nutrition Fund equipment	10,000
Other furniture and equipment	10,000

Capital assets are depreciated using the straight line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	50 years
Improvements other than buildings	20-50 years
Furniture and equipment	5-15 years

Salaries and Benefits Payable - Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end.

Deferred revenue in the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied as well as unspent federal program revenues.

Compensated Absences - District employees accumulated a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability is deemed to be immaterial at June 30, 2009.

Fund Equity - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets - In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2009, expenditures did not exceed the amounts budgeted in any of the four functions. The District did not exceed the General Fund unspent authorized budget.

(2) **Cash and Pooled Investments**

The District's deposits in banks at June 30, 2009 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education and the Treasurer of the State of Iowa; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2009, the District had investments in the Iowa Schools Joint Investment Trust as follows:

	<u>Amortized Cost</u>
Diversified Portfolio	<u>\$255,601</u>

The investments are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Interest rate risk - The District's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the District.

Credit risk - The investments in the Iowa Schools Joint Investment Trust were rated Aaa by Moody's Investors Service.

(3) Capital Assets

Capital assets activity for the year ended June 30, 2009 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 15,020	-	-	15,020
Capital assets being depreciated:				
Land improvements	322,740	41,078	-	363,818
Buildings	1,871,568	-	-	1,871,568
Machinery and equipment	1,302,186	28,595	-	1,330,781
Total capital assets being depreciated	3,496,494	69,673	-	3,566,167
Less accumulated depreciation for:				
Land improvements	219,017	18,191	-	237,208
Buildings	1,254,541	34,345	-	1,288,886
Machinery and equipment	1,121,804	48,601	-	1,170,405
Total accumulated depreciation	2,595,362	101,137	-	2,696,499
Total capital assets being depreciated, net	901,132	(31,464)	-	869,668
Governmental activities, capital assets, net	\$ 916,152	(31,464)	-	884,688
Business type activities:				
Furniture and equipment	\$ 16,464	-	-	16,464
Less accumulated depreciation	15,020	561	-	15,581
Business type activities capital assets, net	\$ 1,444	(561)	-	883
Depreciation expense was charged to the following functions:				
Governmental activities:				
Support services:				
Transportation				\$ 16,788
Unallocated				84,349
				<u>\$ 101,137</u>
Business Type activities:				
Food service operations				\$ 561

(4) Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, PO Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 4.10% of their annual salary and the District is required to contribute 6.35% of annual covered salary. Contribution requirements are established by state statute. The District's contribution to IPERS for the years ended June 30, 2009, 2008, and 2007 were \$108,483, \$100,346, and \$95,854 respectively, equal to the required contributions for each year.

(5) Risk Management

Farragut Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(6) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$94,294 for year ended June 30, 2009 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

Required Supplementary Information

FARRAGUT COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances -
Budget and Actual - All Governmental Funds and Proprietary Fund
Required Supplementary Information

Year ended June 30, 2009

	Governmental Fund Types Actual	Proprietary Fund Type Actual	Total Actual	Budgeted Amounts Original	Final	Final to Actual Variance
Revenues:						
Local sources	\$ 1,892,273	61,353	1,953,626	1,883,889	1,883,889	69,737
State sources	1,171,283	1,351	1,172,634	1,290,965	1,290,965	(118,331)
Federal sources	62,135	46,679	108,814	168,212	168,212	(59,398)
Total revenues	<u>3,125,691</u>	<u>109,383</u>	<u>3,235,074</u>	<u>3,343,066</u>	<u>3,343,066</u>	<u>(107,992)</u>
Expenditures/Expenses:						
Instruction	1,899,115	-	1,899,115	2,536,357	2,536,357	637,242
Support services	950,679	-	950,679	1,316,644	1,316,644	365,965
Non-instructional programs	-	110,356	110,356	138,786	138,786	28,430
Other expenditures	137,752	-	137,752	490,570	490,570	352,818
Total expenditures/expenses	<u>2,987,546</u>	<u>110,356</u>	<u>3,097,902</u>	<u>4,482,357</u>	<u>4,482,357</u>	<u>1,384,455</u>
Excess (deficiency) of revenues over (under) expenditures/expenses	138,145	(973)	137,172	(1,139,291)	(1,139,291)	1,276,463
Other financing sources (uses)	-	-	-	-	-	-
Excess (deficiency) of revenues and other financing sources over (under) expenditures/expenses and other financing uses	138,145	(973)	137,172	(1,139,291)	(1,139,291)	1,276,463
Balance beginning of year	566,710	3,492	570,202	742,286	742,286	(172,084)
Balance end of year	<u>\$ 704,855</u>	<u>2,519</u>	<u>707,374</u>	<u>(397,005)</u>	<u>(397,005)</u>	<u>1,104,379</u>

See accompanying independent auditor's report.

FARRAGUT COMMUNITY SCHOOL DISTRICT

Note to Required Supplementary Information - Budgetary Reporting

Year ended June 30, 2009

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standard Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

During the year ended June 30, 2009, expenditures did not exceed the amounts budgeted in any of the four functions. The District did not exceed the General Fund unspent authorized budget.

Other Supplementary Information

FARRAGUT COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2009

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Athletics	\$ 3,288	20,918	20,571	3,635
Pep Club	3,446	1,617	1,202	3,861
Jr High Cheerleaders	743	1,005	549	1,199
Drama	6,487	1,064	1,438	6,113
French	329	-	-	329
FFA	7,156	8,136	9,182	6,110
FCCLA	1,672	656	700	1,628
Yearbook	2,116	9,285	7,784	3,617
Miscellaneous Activities	1,021	5,902	6,405	518
Vocal Music	1,522	526	494	1,554
Resale	16,453	6,810	4,337	18,926
Art Resale	60	1,901	1,524	437
Student Council	444	-	112	332
Concessions	38	15,848	15,298	588
Instrumental Music	(693)	10,253	9,859	(299)
Tournament Fund	5,403	10,115	11,359	4,159
Vending	12,101	192	-	12,293
Pictures	3,524	373	527	3,370
Greenhouse	999	-	60	939
Class of 2007	1,483	-	1,483	-
Class of 2008	884	-	884	-
Class of 2009	3,005	1,929	3,631	1,303
Class of 2010	3,231	4,951	4,179	4,003
Class of 2011	1,195	1,340	897	1,638
Class of 2012	-	1,596	1,139	457
Past Classes	6,212	2,341	-	8,553
Bad Checks	-	515	515	-
Investments	27,266	811	971	27,106
Honor Society	1,052	299	271	1,080
CPR	10	-	-	10
Postage	(1,119)	1,329	1,115	(905)
ISJIT	87	1	-	88
Total	\$ 109,415	109,713	106,486	112,642

See accompanying independent auditor's report.

FARRAGUT COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Private Purpose Trusts

Year ended June 30, 2009

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Helen Limbacher Memorial	\$ 3,077	56	400	2,733
Harold Penwell Memorial	21,556	367	300	21,623
W.F. & Lucile Dreyer Memorial	2,086	63	-	2,149
Bruce Gruber Memorial	292	-	100	192
Clark-Campbell Memorial	2,760	47	125	2,682
Class of 48 Scholarship	25	-	-	25
Scott Memorial	1,000	500	-	1,500
Richards Memorial	500	-	-	500
Elizabeth O'Brien Memorial	1,107	32	-	1,139
Total	<u>\$ 32,403</u>	<u>1,065</u>	<u>925</u>	<u>32,543</u>

See accompanying independent auditor's report.

BRUCE D. FRINK

Certified Public Accountant

Independent Auditor's Report on Internal Control
over Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance
with Government Auditing Standards

Member:

- American Institute of Certified Public Accountants
- Iowa Society of Certified Public Accountants

Services:

- Individual, Partnership and Corporate Tax Preparation
- Year Round Tax Planning
- Electronic Filing
- Payroll & Sales Tax Preparation
- I.R.S. Representation
- Monthly/Quarterly Write-Up
- Data Processing Services
- Payroll Preparation
- Computerized Financial Statements
- Business/Personal Financial Planning
- Bank Loan Assistance

Plus:

- Over 30 years of Expertise and Experience
- Evenings & Saturdays Available by Appointment
- Extended Hours During Tax Season

To the Board of Education of
Farragut Consolidated School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Farragut Consolidated School District as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated April 26, 2010. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Farragut Consolidated School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Farragut Consolidated School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Farragut Consolidated School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies, including deficiencies we consider to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Farragut Consolidated School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of Farragut Consolidated School District's financial statements that is more than inconsequential will not be prevented or detected by Farragut Consolidated School District's internal control. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by Farragut Community School District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe items I-A-09 and I-B-09, are material weaknesses.

Compliance and Other Matters


As part of obtaining reasonable assurance about whether Farragut Consolidated School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. We noted no instances of non-compliance or other matters that are to be described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2009 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Farragut Consolidated School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the District's responses, we did not audit Farragut Consolidated School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Farragut Consolidated School District and other parties to whom Farragut Consolidated School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Farragut Consolidated School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.



BRUCE D. FRINK
Certified Public Accountant

April 26, 2010

FARRAGUT COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year ended June 30, 2009

Part I: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

SIGNIFICANT DEFICIENCIES:

I-A-09 SEGREGATION OF DUTIES

Comment - During our review of the internal control structure, the existing procedures are evaluated in order to determine that incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and therefore maximizes the accuracy of the District's financial statements. We noted that one individual has custody of receipts and performs all record-keeping and reconciling functions for the office.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However, the District should review the operating procedures of the office to obtain the maximum internal control possible under the circumstances.

Response - We will review procedures and investigate available alternatives.

Conclusion - Response acknowledged.

I-B-09 AUDITOR DRAFTING OF THE FINANCIAL STATEMENTS AND RELATED FOOTNOTE DISCLOSURES

Comment - As in prior years, we were requested to draft the audited financial statements and related footnote disclosures as part of our regular audit services. SAS 112, an auditing standard from the American Institute of Certified Public Accountants, requires auditors to communicate this situation as an internal control deficiency. Ultimately, it is management's responsibility to provide for the preparation of the District's statements and footnotes, and the responsibility of the auditor to determine the fairness of the presentation of those statements. From a practical standpoint we do both for you at the same time in connection with our audit. This is not unusual for us to do this with organizations of your size. However, based on this auditing standard, it is our responsibility to inform you that this deficiency could result in a misstatement to the financial statements that could have been prevented or detected by the District's management. As in prior years, we have instructed management to review a draft of the auditor prepared financial statements in detail for their accuracy; we have answered any questions they might have, and encouraged research of any accounting guidance in connection with the adequacy and appropriateness of classification and disclosure in your financial statements. We are satisfied that the appropriate steps have been taken to provide you with the completed financial statements.

Recommendation - It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Response - We feel our review of the draft financials is adequate for us to accept this risk.

Conclusion - Response accepted.

FARRAGUT COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year ended June 30, 2009

Part II: Other Findings Related to Required Statutory Reporting:

- II-A-09 Certified Budget - Expenditures for the year ended June 30, 2009, did not exceed the certified budget amount in any of the four functions.
- II-B-09 Questionable Expenditures - We noted no expenditures that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- II-C-09 Travel Expense - No expenditures of District money for travel expenses of spouses officials or employees were noted.
- II-D-09 Business Transactions - No business transactions between the District and District officials or employees were noted.
- II-E-09 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- II-F-09 Board Minutes - We noted no transactions requiring Board approval which had not been approved by the Board.
- II-G-09 Deposits and Investments - We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.
- II-H-09 Certified Annual Report - The Certified Annual Report was certified timely with the Department of Education.
- II-I-09 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.
- II-J-09 Categorical Funding - No instances were noted of categorical funding being used to supplant rather than supplement other funds.
- II-K-09 Statewide Sales and Services Tax - No instances of non-compliance with the use of the statewide sales and services tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales and services tax. For the year ended June 30, 2009, the District's financial activity and other required information for the statewide sales and services tax are as follows:

Beginning balance	\$ -
Statewide sales and services tax revenue	152,461
Expenditures/transfers out:	
School infrastructure:	
Improvements	(42,236)
Ending balance	<u>\$110,225</u>